

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 SS-15 AID-05 IGA-01 /032 R

DRAFTED BY E:RPOATS;NEA/EGY:GGBROWN:CLW

APPROVED BY NEA - MR. SOBER

NEA/IRN - MR. NAAS

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R 072320Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN

INFO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 133646

E.O. 11652: GDS

TAGS: EAID, EGEN, EGY

SUBJECT: EMERGENCY ECONOMIC ASSISTANCE TO EGYPT

REF: A. TEHRAN 5051 B. STATE 126635

1. WE ANTICIPATE THAT GOE WILL BE IN POSITION BY MIDDLE OF NEXT WEEK TO GIVE GOI ITS OWN STATEMENT OF ECONOMIC CASE FOR EMERGENCY ASSISTANCE, JUSTIFICATION OF SCALE OF AID REQUIREMENT (LIKELY TO BE STATED AS ABOUT \$1 BILLION) IN REMAINDER OF CY 1975, AND ASSURANCES AS TO GOE SELF-HELP MEASURES. WE SUGGEST, THEREFORE, THAT ANSARY BE INVITED TO RAISE QUESTIONS DIRECTLY WITH GOE ON SUCH ISSUES AS STATUS OF COMMERCIAL BANK CREDITS AND PAYMENTS DUE THEREON, CAPACITY TO MAKE EFFECTIVE USE OF GOI LOANS RESTRICTED TO IRAN AND DEVELOPING COUNTRY SOURCES, NEED FOR PORTION OF AID IN UNRESTRICTED CASH FORM, ETC.

2. US CONTRIBUTION OF \$250 MILLION IN ADDITIONAL IMPORT FINANCING AID IS TO BE COMPOSED OF: \$70 MILLION AID LOAN TO BE MADE IN LATE JUNE FOR FINANCING GENERAL IMPORTS AS DESCRIBED IN REF B, \$80 MILLION PL 480 LOAN TO BE MADE IN AUGUST TO FINANCE 500,000 TONS OF WHEAT AND WHEAT FLOUR AND  
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ABOUT \$10 MILLION WORTH OF TOBACCO; AND \$100 MILLION AID

LOAN TO BE MADE IN FALL FOR FINANCING GENERAL IMPORTS AS DESCRIBED IN REF B. LATTER AID LOAN OBVIOUSLY SUBJECT TO CONGRESSIONAL APPROPRIATIONS BUT IT IS WELL WITHIN REASONABLE EXPECTATIONS. IN ADDITION, AID WILL MAKE IN JUNE AND THEREAFTER DURING 1975 AT LEAST \$100 MILLION OF PROJECT LOANS AND PL480 TITLE II WILL PROVIDE \$10 MILLION IN GRANT FOR CHILD FEEDING. PRIOR TO JUNE 1, AID AND PL480 LOANS FOR CY 1975 EGYPTIAN FINANCING TOTALLED \$150 MILLION, SO TOTAL US AID TO EGYPT ON CONCESSIONAL TERMS IN CY 1975 WILL BE OVER \$500 MILLION. WE ANTICIPATE SIMILARLY LARGE US AID FOR EGYPT IN AT LEAST FIRST HALF OF CY 1976, WITH LARGER PROPORTION OF US AID DEVOTED TO DEVELOPMENT PROJECTS NEXT YEAR. FOREGOING FIGURES ARE FOR GOI'S CONFIDENTIAL INFORMATION ONLY; THEY MUST NOT BE DISCLOSED UNTIL AFTER OUR CONSULTATIONS WITH CONGRESS.

3. AS TO PROCUREMENT LIMITATIONS ON GOI LOAN, OUR INTEREST AS STATED IN REF B IS TO ASSURE THAT PACKAGE OF AID WILL BE EFFECTIVELY APPLICABLE TO CY 1975 DEFICIT. GOE CAN MAKE BEST CASE TO GOI FOR LIBERAL PROCUREMENT RULES AND FOR PORTION OF CASH. AMBASSADOR MAY FIND IT APPROPRIATE, HOWEVER, TO SUGGEST THAT GOI BE CONTENT WITH INFORMAL ARRANGEMENT WITH GOE UNDER WHICH GOE GOVERNMENT AGENCIES AND PUBLIC CORPORATIONS WOULD, IN UTILIZING IRANIAN AID FUNDS, SEEK BIDS FROM IRANIAN AND DEVELOPING COUNTRY SUPPLIERS AND TURN TO DEVELOPED COUNTRY SUPPLIERS ONLY WHERE PRICE AND DELIVERY TERMS ARE DEMONSTRABLY OUT OF LINE WITH WORLD MARKET.

4. IF ANSARY CITES RECENT \$120 MILLION IRANIAN LOAN AS JUSTIFICATION FOR HOLDING DOWN NEW IRANIAN NON-PROJECT AID, WE SUGGEST AMBASSADOR SEEK TO OBTAIN TERMS OF THIS LOAN. HIS REMARK LAST WEEK COULD BE INTERPRETED AS MEANING THIS IS A VERY SHORT TERM COMMERCIAL ADVANCE TO ENABLE EGYPT TO HOLD ITS COTTON CROP OFF THE MARKET UNTIL PRICES RISE, INDICATING VERY SHORT MATURITY PERIOD.

5. WOULD APPRECIATE INFORMATION ON TERMS GOI  
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CONTEMPLATING FOR ADDITIONAL AID, BUT BELIEVE THIS SHOULD BE LEFT OPEN UNTIL AFTER GOI HAS HAD DIRECT DISCUSSION WITH GOE. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE133646  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** RPOATS;NEA/EGY:GGBROWN:CLW  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750200-0132  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750670/aaaacno.tel  
**Line Count:** 110  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 TEHRAN 5051, 75 STATE 126635  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUL 2003 by CunninFX>; APPROVED <26 NOV 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EMERGENCY ECONOMIC ASSISTANCE TO EGYPT  
**TAGS:** EAID, EGEN, EG, IR  
**To:** TEHRAN  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006